

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

16 November 1981

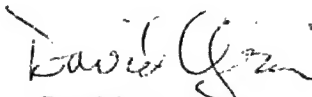
NOTE FOR THE DIRECTOR

SUBJECT:

STAT

You may have noticed the article about Secretary Haig on the front page of Sunday's New York Times. The Secretary characterized American military sales to Taiwan as "a very worrisome specter" in relations with China and warned that "if the US supplies the Nationalists with advanced fighter planes or other modern equipment this could lead to a deterioration of relations" (with Beijing).

STAT 11


David D. Gries

cc: C/NIC
DD/NFAC
C/DDO/EA

—NEW YORK, SUNDAY, NOVEMBER 15, 1981—

HAIG SEES TROUBLE IN TIES WITH CHINA OVER TAIWAN ARMS

Declares the U.S. Faces 'Very
Worrisome Specter' Over
Issue of Plane Sales

By BERNARD GWERTZMAN

Special to The New York Times

WASHINGTON, Nov. 14 — Secretary of State Alexander M. Haig Jr. said today that relations with the Chinese Communists faced "a very worrisome specter" over the question of American military sales to Taiwan.

In a candid statement about the difficulties the United States faces in its relations with the Chinese Nationalists in Taiwan and the Communists in Peking, Mr. Haig told an audience in Palm Beach, Fla.:

"In the period ahead it is going to be essential to both Peking and the United States to handle this particular question with great sensitivity and care."

Warning From the Communists

The Communists have warned that, if the United States supplies the Nationalists with advanced fighter planes or other modern equipment, this could lead to a deterioration of relations.

As a sign of disquiet, Peking has delayed sending a military mission here to discuss possible arms purchases of its own. According to American officials, the Chinese Communists have said that they will not do so until the United States makes known what it will do about supplying military equipment to the Nationalists.

Mr. Haig took part in a question-and-answer period before The Round Table, a Palm Beach organization, that was broadcast to reporters here over a closed circuit at the State Department.

Peking's Unification Bid Praised

He seemed to acknowledge Peking's complaint that, by continuing to supply arms to the Nationalists, the United States was undermining efforts at reunification.

He said a nine-point proposal by the Chinese Communists on Sept. 30 for reunification was "rather remarkable."

"They call for peaceful integration, they recognize federalism in Taipei and their ability to maintain their own political, economic and security framework," he said. "So these were not meaningless proposals."

American officials said that, in recent conversations here, Foreign Minister Huang Hua of Communist China told Mr. Haig that Taiwan was the key issue between Peking and Washington.

According to the Americans, Mr. Huang said the Nationalists could continue to receive arms at the present level of sophistication already present in Taiwan, but that any increase would lead to a setback in relations.

Moreover, the Chinese Communists

Continued on Page 7, Column 1

THE NEW YORK TIMES, SUNDAY, NOVEMBER 15, 1981

Haig Sees Major Troubles Ahead in Ties to Peking

Continued From Page 1

want a commitment that military supplies to Taiwan will continue only for a fixed period, about five years, and should diminish in quantity yearly.

Such a demand is contrary to the Taiwan Relations Act, enacted by Congress after President Carter extended formal recognition to the Communists. The act obliges the United States to supply Taiwan with military equipment to meet its legitimate defensive needs and imposes no time limit.

The United States is now discussing the Nationalists' request to upgrade

their fighter planes. Taiwan has American F-5E fighters and has expressed interest either in an F-16, a less advanced model known as the F-16/79, or in an improved F-5, known as the F-5G.

Either plane is believed to carry the possibility of a strong reaction from Peking. Some officials advocate an improvement in the F-5E, without the need of going to the next generation.

Mr. Haig said in testimony before the House Foreign Affairs Committee on Thursday that no decision, even in principle, had been taken.

"It is an extremely sensitive question in Peking," he said in that testimony.

"and we have to proceed with utmost respect for that sensitivity."

On other issues today, Mr. Haig seemed to support the idea of an embargo on Libyan oil when he was asked whether the United States might impose a ban on imports in retaliation for Libya's actions beyond its borders and its reported support for terrorism.

He said a study was under way and the United States had to be careful that "we don't shoot ourselves in the foot" by an embargo as, he said, had been the case when the Carter Administration limited grain sales to the Soviet Union in retaliation for the Russians' military in-

tervention in Afghanistan. The curbs were rescinded this year by the Reagan Administration.

But Mr. Haig said, "I do not think that applies in this particular case on oil."

He added that, with Libya appearing to withdraw its troops from Chad, "we are in a very dynamic situation," suggesting that the United States did not want to introduce some new element at this time.

He noted that Exxon and Mobil had both announced that they were stopping oil activities in Libya, and that American citizens had previously been urged to leave Libya.

Mr. Haig attacked Cuba and the Soviet Union for their support of the insurgents in El Salvador. He said the United States would have extended more aid to the Salvadoran Government.